

AMADOR COUNTY ASSESSMENT PRACTICES SURVEY

JULY 2006

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July 20, 2006

TO COUNTY ASSESSORS:

AMADOR COUNTY
ASSESSMENT PRACTICES SURVEY

RAMON J. HIRSIG
Executive Director
No. 2006/029

A copy of the [Amador County Assessment Practices Survey Report](#) is enclosed for your information. The Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE shall make surveys in each county and city and county to determine that the practices and procedures used by the county assessor in the valuation of properties are in conformity with all provisions of law.

The Honorable James B. Rooney, Amador County Assessor, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained therein. The report, including the assessor's response, constitutes the final survey report which is distributed to the Governor, the Attorney General, and the State Legislature; and to the Amador County Board of Supervisors, and Grand Jury.

Fieldwork for this survey was performed by the BOE's County Property Tax Division from November 2004 through February 2005. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

Mr. Rooney and his staff gave their complete cooperation during the survey. We gratefully acknowledge their patience and courtesy during the interruption of their normal work routine.

These survey reports give government officials in California charged with property tax administration the opportunity to exchange ideas for the mutual benefit of all participants and stakeholders. We encourage you to share with us your questions, comments, and suggestions for improvement.

Sincerely,

/s/ David J. Gau

David J. Gau
Deputy Director
Property and Special Taxes Department

DJG:jm
Enclosure

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INTRODUCTION

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest comes from the fact that more than one-half of all property tax revenue is used to fund public schools and the State is required to backfill any shortfalls from that property tax funding.

The assessment practices survey program is one of the State's major efforts to address these interests and to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews the practices and procedures of (surveys) every county assessor's office. This report reflects the BOE's findings in its current survey of the Amador County Assessor's Office.

The assessor is required to file with the board of supervisors a response that states the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the BOE, the Senate and Assembly, and the Amador County Board of Supervisors and Grand Jury. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable James B. Rooney, Amador County Assessor, elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendixes.

While typical management audit reports emphasize problem areas, they say little about operations that are performed correctly. Assessment practices survey reports also tend to emphasize problem areas, but they also contain information required by law (see *Scope of Assessment Practices Surveys*) and information that may be useful to other assessors. The latter information is provided in the hope that the report will promote uniform, effective, and efficient assessment practices throughout California.

SCOPE OF ASSESSMENT PRACTICES SURVEYS

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. As directed by those statutes, our survey addresses the adequacy of the procedures and practices employed by the assessor in the valuation of property, the volume of assessing work as measured by property type, and the performance of other duties enjoined upon the assessor.

In addition, pursuant to Revenue and Taxation Code¹ section 75.60, the BOE determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by satisfactory statistical result from a sampling of the county's assessment roll, or by a determination by the survey team—based on objective standards defined in regulation—that there are no significant assessment problems in the county. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in Appendix B.

Our survey of the Amador County Assessor's Office included reviews of the assessor's records, interviews with the assessor and his staff, and contact with officials in other public agencies in Amador County who provided information relevant to the property tax assessment program.

Since this survey did not include an assessment sample pursuant to Government Code section 15640(c), our review included an examination to determine whether "significant assessment problems" exist, as defined by Rule 371.²

¹ Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code.

EXECUTIVE SUMMARY

As stated in the Introduction, this report emphasizes problem areas we found in the operations of the assessor's office. However, it also identifies program elements that we found particularly effective and describes areas of improvement since our last assessment practices survey.

In our 2001 Amador County Assessment Practices Survey, we made 29 recommendations to address problems in the assessor's assessment policies and procedures. The assessor fully implemented 21 of the recommendations. Two recommendations are not repeated because of a change in the law or we found no evidence of improper assessments due to the assessor's practice. The remaining six recommendations that were not implemented are repeated in this report.

In the area of administration, we noted several positive aspects:

- The conversion of the assessor's computer system to the Megabyte system has solved many of the previous problems that we noted in our 2001 report.
- The assessor has been timely in completing the assessment roll each year, despite several staffing changes.

Several administrative components of the assessor's programs need improvement:

- The county's disaster relief ordinance has not been amended to reflect recent changes to section 170 and the assessor does not assess damaged property at the lesser of its factored base year value or its current market value on the lien date when no application for relief has been filed.
- The assessor does not attach Form BOE 571-D, *Supplemental Schedule for Reporting Monthly Acquisitions and Disposals of Property on Schedule B*, to Form BOE 571-L, *Business Property Statement*, and the assessor's website contains various outdated versions of forms.

In the area of real property assessment, the assessor has effective programs for the enrollment of change in ownership, new construction, supplemental assessments, and Timberland Production Zone properties. Other programs have areas where improvement is needed:

- The assessor still does not classify wells located on California Land Conservation Act (CLCA) properties as land.
- The assessor still does not assess all taxable possessory interests, does not reappraise possessory interests in accordance with Rule 21(a)(6), and does not deduct lessor expenses from gross income when valuing possessory interests in the income approach.

- The assessor classifies billboards as structures rather than fixtures.

The assessor has effective programs for the audit of personal property, valuation of leased equipment, and discovery and valuation of aircraft, vessels, and animals. The following areas need improvement:

- The assessor continues to accept business property statements (BPS's) without authorized signatures.
- The assessor still does not use Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors*, as intended.

Despite the problems noted above, we found that most properties and property types are assessed correctly.

We found no significant assessment problems as defined in Rule 371. Since Amador County was not selected for assessment sampling pursuant to Government Code section 15643(b), this report does not include the assessment ratios that are generated for surveys that include assessment sampling. Accordingly, pursuant to section 75.60, Amador County continues to be eligible for recovery of costs associated with administering supplemental assessments.

Here is a list of the formal recommendations contained in this report, arrayed in the order that they appear in the text.

RECOMMENDATION 1:	Revise the disaster relief program by: (1) requesting that the board of supervisors amend Ordinance No. 880 to reflect the current version of section 170, and (2) appraising property that is still damaged or destroyed on the lien date in accordance with section 51.....	14
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RESULTS OF 2001 SURVEY

Assessment Roll Change Procedures

We recommended the assessor enroll escape assessments in the manner prescribed by section 533. Because of Legislative amendments, effective January 1, 2005, this recommendation is no longer applicable.

We also recommended the assessor notify the auditor-controller when interest should be added to an escape assessment. The assessor's computer system is now integrated with the auditor-controller so notification for interest is automatic.

Disaster Relief

We recommended the assessor notify disaster relief applicants of their proposed reassessments and appeal rights pursuant to section 170. The assessor has implemented this recommendation.

Low-Value Property Exemption

We recommended the assessor assess all low-value properties unless the board of supervisors authorized a low-value property exemption. The board of supervisors has not adopted a low-value property exemption; however, the assessor now enrolls all property values.

New Construction

We recommended the assessor develop and implement written procedures for discovering and appraising new construction. The assessor currently uses the Assessors' Handbook and BOE Letters To Assessors for guidance in the discovery and appraisal of new construction.

Supplemental Assessments

We recommended the assessor issue supplemental assessments for possessory interests on the unsecured roll. The assessor now enrolls all supplemental assessments for all possessory interests, regardless of value.

Decline in Value

We recommended the assessor consider structural tenant improvements as part of the appraisal unit when enrolling properties having declining value. We found no current problems with the assessor's determination of the appraisal unit, and we consider this recommendation to be implemented.

Possessory Interests

We recommended the assessor use a reasonable term of possession when estimating the value of a possessory interest. The assessor has implemented this recommendation by conducting rental term studies to arrive at reasonable terms of possession.

We recommended the assessor revalue possessory interests at the end of the reasonably anticipated term of possession used to value that possessory interest. This recommendation has been implemented.

We recommended the assessor annually assess all possessory interests at the lower of current market value or factored base year value. The assessor has implemented this recommendation.

In addition, we recommended the assessor expand the discovery process for possessory interests to include fairground and vendors/concessionaires. The assessor has not complied with this recommendation; therefore, it is repeated.

Taxable Government-Owned Property

We recommended the assessor enroll all taxable government-owned property. We found that the assessor currently reviews all taxable government-owned properties for proper valuation.

We also recommended the assessor verify that vacant taxable government-owned land is used exclusively for school purposes before granting the public schools exemption. This recommendation has also been implemented.

Timberland Production Zone Property (TPZ)

We recommended the assessor send questionnaires to owners of TPZ lands to obtain information on compatible uses. This recommendation has been implemented.

California Land Conservation Act Property (CLCA)

We recommended the assessor adjust CLCA market land rents by an appropriate amount for income generated by irrigation improvements. The assessor has implemented this recommendation.

We recommended the assessor assess caretaker sites and farm laborer housing at the non-restricted homesite value, which has been implemented.

We recommended the assessor capitalize compatible use income in the manner specified for CLCA restricted properties. The assessor now capitalizes compatible use income in the appropriate manner.

In addition, we recommended the assessor assess wells on CLCA property as land. The assessor still does not classify wells as land.

Leasehold Improvements

We recommended the assessor develop and implement written procedures for the valuation and assessment of leasehold improvements. We found that the assessor does not have written procedures; however, we found no evidence of improvements escaping assessment or being double assessed. Therefore, we do not repeat this recommendation.

Valuation of Business Property

We recommended the assessor use the BOE's recommended price index and percent good factor in AH 581 as intended. The assessor continues to use minimum valuation factors for certain types of property. Therefore, this recommendation is repeated.

We also recommended the assessor assess computers using the BOE's recommended valuation factors. The assessor has implemented this recommendation.

Property Statement Processing

We recommended the assessor reject incomplete business property statements (BPS's). It is the policy of the assessor to return incomplete statements; therefore, we are not repeating this recommendation.

We recommended the assessor ensure that all BPS's contain authorized signatures. This recommendation has not been implemented, and it is being repeated.

Vessels

We recommended the assessor discontinue the practice of exempting vessels having values between \$400 and \$1,000 and include sales tax as a component of a vessels value. The assessor has implemented both recommendations.

Aircraft

We recommended the assessor use the *Vref Aircraft Value Reference* for aircraft not listed in the *Aircraft Bluebook Price Digest*. The assessor uses other resources for a limited number of aircraft that are not listed in either of two above mentioned price sources. We consider this recommendation to be implemented.

We recommended that the assessor deny late-filed historical aircraft exemption claims. We found the assessor to be in full compliance with the late filing procedures.

Manufactured Homes

We recommended the assessor classify manufactured homes as personal property. The assessor has implemented this recommendation.

We also recommended the assessor annually assess manufactured homes at the lower of their factored base year value (FBYV) or current market value. The assessor now reviews manufactured homes annually for declines in value.

OVERVIEW OF AMADOR COUNTY

When California became a state in 1850, Amador County was a portion of Calaveras County. In 1854, Amador County was separated from Calaveras County and the County of Amador was formed. In later years, Amador County was expanded to include portions of El Dorado County. In 1863, Amador County gave up its easterly Sierra territory and Alpine County was formed.

Amador County is in the eastern foothills of the Central Valley within an area commonly referred to as the "Mother Lode." The county encompasses about 625 square miles. Of the total size of the county, 614 square miles are in unincorporated areas. The remaining area includes five incorporated municipalities, Amador City, Sutter Creek, Jackson, Ione, and Plymouth. Amador County is bordered by El Dorado County to the north, Alpine County to the east, Calaveras County to the south, and Sacramento County to the west.

The City of Jackson is the center of county government. The overall population of the county is less than 40,000 residents.

ADMINISTRATION

This section of the survey report focuses on administrative policies and procedures of the assessor's office that affect both the real property and business property assessment programs. Subjects addressed include the assessor's budget and staffing, the State-County Property Tax Administration Program (PTAP), appraiser certification, assessment appeals, disaster relief, assessment roll changes, low-value property exemption, exemptions, racehorse administrative tax, and assessment forms.

Budget and Staffing

The Amador County Assessor is responsible for producing an annual assessment roll that includes approximately 25,000 taxable properties (both secured and unsecured rolls). The 2004-05 assessment roll was distributed as follows:

PROPERTY TYPE	NO. OF ASSESSMENTS	ENROLLED VALUE
<u>Secured Roll*</u>		
Residential	18,015	\$2,252,155,931
Commercial/Industrial	915	\$333,717,946
Rural/Agricultural/TPZ	1,692	\$241,561,255
Manufactured Homes	990	\$61,827,644
Miscellaneous	399	\$93,153,386
Total Secured	22,011	\$2,982,416,162
<u>Unsecured Roll</u>		
Personal Property & Fixtures	1,250	\$43,207,090
Possessory Interests	369	\$47,531,238
General Aircraft	115	\$8,017,929
Vessels	1,491	\$7,782,120
Total Unsecured	3,225	\$106,538,377
Total Assessment Roll	25,236	\$3,088,954,539

*Includes values of Personal Property, Possessory Interests, and Fixtures that are enrolled on the secured roll.

From 2000-01 through 2004-05, the assessment roll has steadily increased, as shown by the following table:

ROLL YEAR	TOTAL ROLL VALUE	INCREASE
2004-05	\$3,088,954,539	11.54%
2003-04	\$2,769,334,230	7.91%
2002-03	\$2,566,239,757	6.91%
2001-02	\$2,400,478,591	6.21%
2000-01	\$2,260,061,839	

As shown in the following table, the assessor's office has benefited from increased budget levels over the last five years, except for fiscal year 2003-04. PTAP funds are accounted for separately from the assessor's official budget.

FISCAL YEAR	COUNTY BUDGET	INCREASE (DECREASE)	PERMANENT STAFF ³	PTAP FUNDS RECEIVED	PTAP STAFF
2004-05	\$835,060	17.49%	9.5	\$80,865	2.0
2003-04	\$710,732	(6.88%)	9.5	\$80,865	2.5
2002-03	\$763,242	0.75%	9.5	\$80,865	3.0
2001-02	\$757,561	14.76%	9.5	\$80,865	2.5
2000-01	\$660,096	---	9.5	\$80,865	2.5

State-County Property Tax Administration Program

In 1995, the Legislature established PTAP. This program, which was later entitled the State-County Property Tax Administration Loan Program, provided state-funded loans to eligible counties for the improvement of property tax administration.⁴ This program expired June 30, 2001 and was replaced with the Property Tax Administration Grant Program, which is available to counties for fiscal years 2002-03 through 2006-07. The grant program operates in essentially the same manner as the loan program except that if a county fails to meet its contractual performance criteria, the county will not be obligated to repay the grant but will be ineligible to continue to receive a grant.

If an eligible county elected to participate, the county and the State Department of Finance entered into a written contract, as described in section 95.31. The contract provides that the county must agree to maintain a base funding and staffing level in the assessor's office equal to the funding and staffing levels for the 1994-95 fiscal year. This requirement prevents a county from using PTAP funds to supplant the assessor's existing funding.

³ The number of staff reported includes the assessor.

⁴ Chapter 914, Statutes of 1995, in effect October 16, 1995. The Property Tax Administration Loan Program expired June 30, 2001.

For most counties, the contract provides that verification of performance is provided to the State Department of Finance by the county auditor-controller.

Amador County has participated in the PTAP since April 1, 1996. For contract year 2003-04, the assessor received a grant of \$80,865. The Amador County Auditor-Controller has certified to the State Department of Finance that the county met the contractual requirements, base funding, and staffing levels for every year under contract.

The assessor used PTAP money for staffing, computer equipment, and programming. All expenditures are designed to increase the long-term productivity of the assessor's office.

Appraiser Certification

Section 670 provides that no person shall perform the duties of an appraiser for property tax purposes unless he or she holds a valid certificate issued by the BOE. We found that the assessor and his staff possess the required certificates. The assessor does not use contract appraisers.

The assessor's staff has nine employees, including the assessor, who hold BOE appraiser certificates. Three of the nine hold advanced appraiser certificates, including the assessor, and one employee holds a temporary certificate. Additionally, we found that the auditor-appraiser performing mandatory audits meets the requirements referenced in section 670(d).

While the assessor does not utilize contract appraisers, he does have one part-time employee, who assists the business property division. This employee is the holder of a permanent appraiser's certificate.

Assessment Appeals

The assessment appeals function is prescribed by article XIII, section 16 of the California Constitution. Sections 1601 through 1641.5 are the statutory provisions governing the conduct and procedures of assessment appeals boards and the manner of their creation. As authorized by Government Code section 15606, the BOE has adopted Rules 301 through 326 to regulate the assessment appeal process.

Currently, the county board of supervisors acts as the local board of equalization for property tax appeals.

The local board of equalization hears appeals for changes in value affecting properties on the unsecured and secured roll. Taxpayers requesting a hearing before the board must file an application with the board of supervisor's clerk between July 2 and November 30 for the assessment year in question. The clerk for the board of supervisors schedules assessment appeal board meetings, which are scheduled, as needed, throughout the month.

Applications received by the clerk for the assessment appeals board are reviewed, validated, and entered into the system with a copy forwarded to the assessor. The assistant assessor reviews the appeal and, depending on the type and location of the property, assigns the appeal to the staff. After the appraiser reviews the appeal, he or she confers with the assistant assessor concerning

action to be taken. The appraiser then contacts the taxpayer by telephone and explains why the assessor agrees or disagrees with their claim.

Should the taxpayer decide to withdraw an appeal or stipulate to an agreed-upon value, the assessor sends a letter with the appropriate attachments to the taxpayer for their review. Upon receipt of a signed letter and subsequent board action, the appeal is officially withdrawn or in case of a stipulation, the value is changed.

If no agreement can be reached, the appeal process continues and a hearing is scheduled. The appraiser who develops the value determination for the appeal, the supervising appraiser, and the assistant assessor represent the assessor's office at most board hearings.

The following table illustrates the number of appeals filed, withdrawn, values stipulated to, and board decisions from 1999-00 through 2003-04:

ASSESSMENT ROLL	2003-04	2002-03	2001-02	2000-01	1999-00
Appeals Filed	24	30	30	51	24
Open	33	38	33	24	23
Total Appeals Workload	57	68	63	75	47
Resolution:					
Withdrawn	2	4	3	14	10
Stipulation	1	14	14	22	13
Appeals Reduced	1	2	1	0	0
Appeals Upheld	0	7	4	4	0
Appeals Increased	0	0	0	0	0
Other Determination*	7	8	3	2	0
Total Resolved	11	35	25	42	23
To Be Carried Over**	46	33	38	33	24

* Note: Includes, but not limited to, late-filed appeals, applicants' failure to appear, and board-denied applications.

**Note: "To Be Carried Over" includes appeals with time extensions by mutual agreement of the parties.

No appeal in the last five years has gone unresolved for more than two years unless the taxpayer has agreed to a waiver of the statutory time limits.

We reviewed a number of appeals and found them to be clear and well documented. Overall, the assessor's portion of the assessment appeal's program is well administered.

Disaster Relief

Section 170 permits a county board of supervisors to adopt an ordinance that allows immediate property tax relief on qualifying property damaged or destroyed by misfortune or calamity. The

property tax relief is available to the owner of any taxable property whose property suffers damage exceeding \$10,000 (without his or her fault) in a misfortune or calamity. In addition, section 170 provides procedures for calculating value reductions and restorations of value for the affected property.

To obtain relief under an ordinance, assesses must make a written application to the assessor requesting reassessment. However, if the assessor is aware of any property that has suffered damage by misfortune or calamity, the assessor must either provide the last known assessee with an application for reassessment, or he or she may revalue the property on lien date.

Upon receipt of a properly completed application, the assessor shall reassess the property for tax relief purposes. If the sum of the full cash values of the land, improvements, and personal property before the damage or destruction exceeds the sum of the values after the damage by \$10,000 or more, the assessor shall then determine the percentage of value reductions and reduce the assessed values accordingly.

In May 1982, the Amador County Board of Supervisors adopted an ordinance pertaining to the reassessment of property destroyed by misfortune or calamity (Ordinance No. 880). The ordinance added Chapter 3.24 to the Amador County Code. The ordinance is specific in that it applies to any taxable real property. The ordinance does not address any personal property that has been damaged or destroyed by misfortune or calamity. There is no termination date for the ordinance.

In our 2001 survey, we recommended the assessor notify disaster relief applicants of their proposed reassessments and appeal rights. The assessor's new computer system generates a notification that includes the proposed reassessments and appeal rights. We did, however, find two areas that the assessor should address:

RECOMMENDATION 1: Revise the disaster relief program by: (1) requesting that the board of supervisors amend Ordinance No. 880 to reflect the current version of section 170, and (2) appraising property that is still damaged or destroyed on the lien date in accordance with section 51.

Request that the board of supervisors amend Ordinance No. 880 to reflect the current version of section 170.

Ordinance No. 880 contains limitation and filing dates that do not reflect changes that were made to section 170 since 1982. The ordinance provides that the property must have lost at least \$5,000 of its full cash value as a result of a misfortune or calamity. The ordinance requires that the property owner may, within 60 days, apply for reassessment of such misfortune or calamity.

The ordinance also provides that if no application is made and the assessor determines that a property has suffered substantial losses that may qualify the property owner for relief, the assessor shall provide the last known owner of the property with an application for reassessment. The property owner must file the completed application within 30 days of the notification by the

assessor. The county's ordinance also restricts calamity relief to real property only. The county ordinance does not provide relief for personal property that is damaged or destroyed.

Section 170(a)(3) was modified to change the filing period to within the time specified within the ordinance or within 12 months of the misfortune or calamity, whichever is later. Section 170 was also amended to raise the qualifying level of damage from \$5,000 to \$10,000. And, it requires that if no application has been filed when a property has suffered qualifying damage within the preceding 12 months, the assessor must provide the last known owner of the property with an application for reassessment. In addition, section 170(a) provides that relief from taxation because of a calamity or misfortune applies to all taxable property, not just real property. The county's ordinance does not comply with the statute; therefore, the assessor does not have the authority to grant the reassessment of property relief authorized by section 170 for properties damaged by misfortune or calamity.

Appraise property that is still damaged or destroyed on the lien date in accordance with section 51.

In a review of the assessor's calamity program, we found two properties qualifying for tax relief were still in a damaged condition on the lien date. The property owner did not file an application for relief in either instance. In one case, an appraiser reviewed the property two months after the lien date because of a building permit issued to repair fire damage. The appraiser noted on the appraisal record: "No change in value for lien date." The property was still damaged and being repaired when we inspected it several months after the assessor reviewed it.

Section 51 requires the assessor to value property on the lien date at its factored base year value (FBYV) or the current market value, whichever is the lesser value. By not revaluing the property on the lien date at its current market value, in a damaged condition, the taxpayer was denied tax relief to which he or she was entitled.

Assessment Roll Changes

The assessor must complete the local assessment roll and deliver it to the auditor by July 1 of each year. After delivery of the assessment roll to the auditor, if a correction is made that will decrease the amount of the unpaid taxes, the consent of the board of supervisors is necessary. All changes to the roll are authorized by specific statutes, and any roll change must be accompanied by the appropriate statutory reference.

Assessment roll changes fall under two general categories: escape assessments and corrections. An escape assessment is an assessment of property that was not assessed or was underassessed, for any reason, on the original roll. A correction is any type of authorized change to an existing assessment except for an underassessment caused by an error or omission of the assessee.

The following table shows the number of secured and unsecured roll changes processed by the Amador County Assessor over a five-year period:

ROLL YEAR	NUMBER OF CHANGES
2003-04	785
2002-03	889
2001-02	1,016
2000-01	570
1999-00	430

Most assessment roll changes (also known as board actions) originate with the appraisers who initiate the changes on the *Property Appraisal Record*. The assistant assessor reviews and approves all changes. Once the roll changes are approved and have been input into the Megabyte System, *Notices of Proposed Escape Assessment* are mailed to taxpayers at least 10 days before the changes are entered on the roll. The Megabyte System automatically transmits these data to the county auditor. Then, assessees are notified by mail of the increase or decrease in value after the roll change has been enrolled. This process satisfies the notification requirements of section 534.

We reviewed a number of roll changes and the assessor's roll change process and procedures. We found no issues of noncompliance with the changes to the assessment roll.

In our 2001 survey, we recommended that the assessor enroll escape assessments in the manner prescribed by section 533. Legislation effective January 1, 2005 has eliminated this requirement.

We also recommended that the assessor notify the auditor-controller when interest should be added to an escape assessment. We found that the assessor properly processes the interest calculations. Accordingly, we have no recommendations.

Low-Value Property Exemption

Section 155.20 authorizes a county board of supervisors to exempt all real property with a base year value, and personal property with a full value, so low that the total taxes, special assessments, and applicable subventions on the property would be less than the assessment and collection costs if the property were not exempt.

Section 155.20(b)(1) provides that a county board of supervisors shall not exempt property with a total base year value or full value of more than \$5,000, or more than \$50,000 in the case of certain possessory interests. A board of supervisors must adopt a low-value property exemption before the lien date for the fiscal year to which the exemption is to apply. At the option of the board of supervisors, the exemption may continue in effect for succeeding fiscal years.

Our 2001 survey included a recommendation that the assessor assess all low-value properties, unless the Board of Supervisors authorizes a low-value property exemption. Specifically, we found that the assessor did not assess vessels with a value of less than \$1,000, or other unsecured roll accounts if the value was less than \$500.

The Amador County Board of Supervisors has not yet adopted a resolution exempting low-value property. However, we found the assessor is now assessing vessels with a value of \$400 or greater (those not exempted under section 228), and we found no instances where other unsecured property valued less than \$500 was not being assessed.

Since the assessor has modified his program to assess these lower valued properties, we are not repeating this recommendation.

Exemptions

Church and Religious Exemptions

The church exemption is authorized by article XIII, section 3(f), of the California Constitution. This constitutional provision, implemented by section 206 of the Revenue and Taxation Code, exempts buildings, the land on which they are situated, and equipment used exclusively for religious worship, when such property is owned or leased by a church. Property that is reasonably and necessarily required for church parking also is exempt, under article XIII, section 4(d), provided that the property is not used for commercial purposes. The church parking exemption is available for owned or leased property meeting the requirements of section 206.1.

Article XIII, section 4(b), authorizes the Legislature to exempt property used exclusively for religious, hospital or charitable purposes and owned or held in trust by a corporation or other entity. The corporation or entity, however, must meet the following requirements: (1) it must be organized and operated for those purposes; (2) it must be non-profit; and (3) no part of its net earnings can inure to the benefit of any private shareholder or individual. The Legislature has implemented this constitutional authorization in section 207 of the Revenue and Taxation Code, which exempts property owned by a church and used exclusively for religious worship and school purposes.

County assessors administer the church and religious exemptions. The church exemption and the church parking exemption require an annual filing of the exemption claim. The religious exemption requires a one-time filing by the claimant. Once granted, this exemption remains in effect until terminated or until the property is no longer eligible for the exemption.

The following table represents the number of religious exemptions and assessed values from 2000-01 through 2004-05:

ROLL YEAR	NUMBER OF EXEMPTIONS	EXEMPT ASSESSED VALUE
2004-05	36	\$9,679,580
2003-04	35	\$8,802,386
2002-03	35	\$9,047,424
2001-02	35	\$8,788,384
2000-01	34	\$6,879,546

Our review of the assessor's religious exemption program showed that the assessor is very careful to adhere to statutory requirements regarding filing. When claimants fail to return the annual *Religious Exemption Change in Eligibility or Termination Notice*, BOE- Form 267-SNT, the assessor promptly contacts the claimant by telephone to determine the status of the exemption. If this fails, an appraiser will field inspect the property to verify continued eligibility for the religious exemption. The assessor maintains a very effective religious exemption program.

The following table represents the number of church exemptions and assessed values from 2000-01 through 2004-05:

ROLL YEAR	NUMBER OF EXEMPTIONS	EXEMPT ASSESSED VALUE
2004-05	1	\$244,968
2003-04	2	\$693,409
2002-03	3	\$1,242,439
2001-02	1	\$231,158
2000-01	1	\$543,002

We found that the assessor is careful to allow the church exemption only for worship and related uses. The assessor's program for administering the church exemption is also very sound.

Welfare Exemption

The welfare exemption from local property taxation is available for property owned and used exclusively for qualifying religious, hospital, scientific, or charitable purposes by organizations formed and operated exclusively for those purposes. Both the organizational and property use requirements must be met for the exemption to be granted.

The welfare exemption is co-administered by the BOE and county assessors. Effective January 1, 2004, the BOE became responsible for determining whether an organization itself is

eligible for the welfare exemption and for issuing *Organizational Clearance Certificates* to qualified nonprofit organizations. And, the assessor became responsible for determining whether the use of a qualifying organization's property is eligible for exemption and for approving or denying exemption claims.

The assessor may not grant a welfare exemption on an organization's property unless the organization holds a valid *Organizational Clearance Certificate* issued by the BOE. The assessor may, however, deny an exemption claim, based on non-qualifying use of the property, notwithstanding the claimant's *Organizational Clearance Certificate* issued by the BOE.

The following table summarizes the annual welfare exemptions granted on the local roll from 2000 through 2004:

ROLL YEAR	NUMBER OF EXEMPTIONS	EXEMPT ASSESSED VALUE
2004-05	43	\$56,209,315
2003-04	37	\$53,955,422
2002-03	38	\$53,565,853
2001-02	44	\$53,173,585
2000-01	36	\$36,972,066

We reviewed a variety of welfare exemption claims on file at the assessor's office. We found the assessor maintains very well-documented welfare exemption claim records. There is a permanent file for every organization. The assessor uses a computerized welfare exemption claim checklist to ensure that all documentation and verification requirements have been met before processing the exemption. The assessor has a sound program for administering the welfare exemption.

Assessment Forms

Government Code section 15606 requires the BOE to prescribe the use of all forms for the assessment of property for taxation.⁵ For the 2004 lien date, the BOE prescribed 75 forms for use by county assessors and one form for use by county assessment appeals boards. Generally, the assessor has the option to change the appearance (size, color, etc.) of a prescribed form but cannot modify, add to, or delete from the specific language on a prescribed form. The assessor may also rearrange information on a form provided that the assessor submits such a form to the BOE for review and approval. Assessors may also use county-developed forms to assist them in their assessment duties.

The BOE annually sends three forms checklists to assessors for (1) property statements, (2) exemption forms, and (3) miscellaneous forms. Assessors are asked to indicate on the checklists which forms they will use in the succeeding assessment year and to return the checklists and any rearranged forms to the BOE by October 15 in the case of property statements

⁵ Also sections 480(c), 480.2(b), 480.4, and Rules 101 and 171.

and miscellaneous forms and by December 1 in the case of exemption forms. By February 10, assessors are also required to submit to the BOE the final prints (versions) of all BOE-prescribed forms they will use in the following year.

For the 2004 lien date, the assessor used 46 of the 75 BOE-prescribed forms. The assessor rearranged one form. The assessor timely submitted to the BOE checklists, the rearranged form, and the final prints of the forms to be used. The assessor is diligent in complying with the forms process; however, we did find two areas that need to be improved.

RECOMMENDATION 2: Revise the assessment forms program by: (1) using only BOE-prescribed forms, and (2) using only the current version.

Use only BOE-prescribed forms.

The assessor includes an additional continuation sheet labeled Footnotes for Schedule A to Forms BOE-571-A, *Agricultural Property Statement*; BOE-571-L, *Business Property Statement (long form)*; and BOE 571-S, *Business Property Statement (short form)*. The assessor's continuation sheet is not a BOE-prescribed form and, therefore, cannot be used in place of the Form BOE 571-D, *Supplemental Schedule for Reporting Monthly Acquisitions and Disposals of Property Reported Schedule B of the Business Property Statement*.

The BOE, after consultation with the California Assessors' Association, prescribes the property statements to be used each year. In completing, signing, and submitting the annual checklist of BOE-prescribed property statements and other forms, the assessor agrees to use exact copies of the forms. Assessors may also use locally developed forms and questionnaires; however, such forms may not be used as substitutes for the BOE-prescribed forms, and no penalty may be imposed upon a property owner for failure to file a locally developed form or questionnaire.

Use only the current version.

Three of the BOE-prescribed forms on the assessor's website are not the current versions. These outdated versions are: Form BOE-502-A, *Preliminary Change of Ownership Report*; Form BOE-58-AH, *Claim for Reassessment Exclusion for Transfer Between Parent and Child*; and Form BOE-58-G, *Claim for Reassessment Exclusion for Transfer From Grandparent to Grandchild*. Subdivision (d) of Government Code section 15606 requires the BOE to prescribe and enforce the use of all forms for the assessment of property for taxation. All BOE-prescribed forms are reviewed with the California Assessors' Association and updated on an annual basis, and a checklist of current forms is sent to assessors. Outdated forms should not be used, as they could provide incorrect information or be misleading to the property taxpayer.

ASSESSMENT OF REAL PROPERTY

In Amador County, the real property division and the appraisal support division process all real property assessments. The assessor's program for assessing real property includes the following principal elements:

- Revaluation of properties that have changed ownership.
- Valuation of new construction.
- Annual review of properties that have experienced declines in value.
- Annual revaluations of certain properties subject to special assessment procedures, such as lands subject to California Land Conservation Act (CLCA) contracts, taxable government-owned lands, and lands in Timberland Production Zones (TPZ).

Unless there is a change in ownership or new construction, article XIII A of the California Constitution provides that the taxable value of real property shall not exceed its 1975 full cash value factored at no more than 2 percent per year for inflation.

Change in Ownership

Section 60 defines change in ownership as a transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee simple interest. Sections 61 through 69.5 further clarify what is considered a change in ownership and what is excluded from change in ownership for property tax purposes. Section 50 requires the assessor to establish a base year value for real property upon a change in ownership, based on the property's fair market value on the date of change in ownership pursuant to section 110.1.

Document Processing

The assessor's primary means of discovering properties that have changed ownership is the review of deeds and other documents recorded at the county recorder's office. Deeds and other recorded documents that transfer ownership are imaged and scanned daily by the recorder and sent to the assessor. Amador County Ordinance No. 718 requires all deeds to be identified by assessor's parcel number (APN).

The number of documents received from the recorder has been averaging about 3,500 during the past five years. For the most recent five years, nearly 52 percent of the documents received by the assessor have indicated reappraisable transfers.

The following table shows the total number of recorded documents received by the assessor and reappraisable transfer documents processed by the assessor from 2000-01 through 2004-05:

YEAR	RECORDED DOCUMENTS	REAPPRAISABLE TRANSFER DOCUMENTS
2004-05	4,005	1,928
2003-04	4,064	1,686
2002-03	3,473	1,713
2001-02	3,080	1,651
2000-01	3,001	1,676

We reviewed several transfers and found them to be well documented. We found that the assessor has an effective deed-processing program that enhances his discovery of changes in ownership.

We also found that *Preliminary Change of Ownership Reports* and *Change of Ownership Statements* are effectively tracked and penalties, if any, are applied as required by sections 482 and 483.

Legal Entity Ownership Program (LEOP)

Section 64 provides that certain transfers of ownership interests in a legal entity constitute a change in ownership of all real property owned by the entity and its subsidiaries. Rule 462.180 interprets and clarifies section 64, providing examples of transactions that either do or do not constitute a change in entity control and hence either do or do not constitute a corresponding change in ownership of the real property owned by the entity. Discovery of these types of changes in ownership is difficult for assessors because ordinarily there is no recorded notice of the real property transfer.

To help assessors, the BOE's LEOP unit investigates and verifies changes in entity control and legal ownership reported by legal entities, transmitting to each county a listing, with corresponding property schedules, of legal entities that have reported a change in control under section 64(c) or change in ownership under section 64(d). However, many of the acquiring entities do not provide specific information about the real property involved—for example, the county of location, the APN, etc. Because of the limited data provided by many entities, LEOP advises assessors to independently research each entity's property holdings to determine whether all affected parcels have been identified and properly reappraised.

Between January 1999 and January 2004, the BOE notified the assessor of ten changes in control. We reviewed several randomly selected transfers and found that the assessor has properly reviewed the transfers and reappraised the properties when appropriate.

Parent-child Exclusions and Base Year Value Transfer

Section 63.1 excludes from the definition of "change in ownership" the purchase or transfer, on or after November 6, 1986, of the principal residence and the first \$1 million of other real property between parents and children when a claim is timely filed. Subsequently, the voters modified the exclusion's definition to include qualifying purchases or transfers from grandparents to their grandchild or grandchildren.

Section 69.5 allows qualified homeowners 55 years of age or older, or qualified homeowners who are severely and permanently disabled, to transfer the base year value of their present principal residence to a replacement dwelling purchased or newly constructed within the same county on or after November 5, 1986, provided a claim is timely filed. Such claims must be filed within three years of the purchase or completion of the new construction of the replacement dwelling.

The following table represents recent filings for the sections 63.1 and 69.5 benefits:

YEAR	SECTION 63.1	SECTION 69.5
2003-04	202	4
2002-03	302	14
2001-02	152	3
2000-01	NA	7
1999-00	NA	7

We found that the assessor's staff is verifying eligibility, and tracking and processing section 63.1 and section 69.5 claims effectively.

Improvement Bonds

Improvement bonds are instruments used to finance construction of public improvements, such as sewers, sidewalks, lighting, and water lines, that generally enhance the land value of privately owned real property. Land directly benefiting from such improvements is pledged as security for payment of the construction loan. The improvement bond is a lien that runs with the land and binds the owner and all successors in interest in accordance with 1911 or 1915 Bond Acts.

Section 110(b) establishes a rebuttable presumption that the value of improvements financed by the proceeds of an assessment resulting in a lien imposed on the property by a public entity is reflected in the purchase price paid for a property exclusive of the lien amount. The assessor can overcome this presumption by a preponderance of evidence that all or a portion of the value of those improvements is not reflected in that consideration. But if the assessor is unaware of which parcels are encumbered with bonds, this presumption can be neither confirmed nor rebutted.

The assessor does not add the present worth of the unpaid bond payments to the nominal sale price. The assessor considers the bonds as being a part of the total sale price.

Resident-Owned Mobilehome Parks

In Amador County, there are currently three resident-owned mobilehome parks (ROP's) where each owner has a fractional interest for their residence and owns shared amenities in common. To become a resident-owned mobilehome park, residents were required to acquire 51 percent ownership participation within a specified time. The resident-owned parks in Amador County met or exceeded the participation level in advance of the required deadline as a requirement of financing. The assessor obtains recorded deeds to transfer ownership interests, including information requirements set forth in section 62.1.

All resident-owned parks in Amador County utilize transfer deeds to indicate a change of ownership. Upon receiving a deed from the recorders office, the assessor revalues the manufactured home based on comparable sales and recognized value guides, including the Assessors' Handbook Section 531.35, *Residential Building Costs*. The residual value between the sale price and the indicated manufactured home value is enrolled as the new base year value of the land.

New Construction

Section 70 defines newly constructed property, or new construction, as (1) any addition to real property since the last lien date; or (2) any alteration of land or improvements since the last lien date that constitutes a major rehabilitation of the property or converts the property to a different use. Further, section 70 establishes that any rehabilitation, renovation, or modernization that converts an improvement to the substantial equivalent of a new improvement, constitutes a major rehabilitation of the improvement. Section 71 requires the assessor to determine the full cash value of newly constructed real property on each lien date while construction is in progress and on its date of completion, and provides that the full cash value of completed new construction becomes the new base year value of the newly constructed property.

Rules 463 and 463.500 clarify the statutory provisions of sections 70 and 71, and Assessors' Handbook Section 502, *Advanced Appraisal*, Chapter 6, provides guidance for the assessment of new construction.

There are several statutory exclusions from what constitutes new construction; sections 70(c) through 74.7 address these exclusions.

Discovery

The assessor discovers most new construction activity by reviewing building permits. Currently, the assessor receives building permits from six permit-issuing agencies. Discovery methods also include performing field inspections, and reviewing newspaper articles and business property statements.

The assessor mails a *Self Declaration for New Construction* form to property owners. Most of the permits are accompanied by a building plan and all permits received are forwarded to the property appraisers for review and valuation. New construction cost information is obtained from building permits and through contact with taxpayers.

Permit Processing

Most of the permits are collected either weekly or bi-weekly by the assessor's office. Final inspection records are electronically received, faxed, or picked up by the assessor on a monthly basis.

Once the permits are received, the APN is verified and the items to be keyed into the computer system are highlighted. Permits that add no value (e.g., permits for heating and cooling, fireplaces, sheds, patios, and remodels that cost less than \$5,000) are noted and attached to the appraisal records.

There are nine fields of data (assessment number, lien year, agency, permit number, issue date, document code, estimated cost, appraiser identification, and description) that are entered on the building permit screen by the appraisal support staff. All permits are filed with appraisal records, which are held until the system generates worksheets. The records and worksheets are then forwarded to the appraisal staff for valuation. After valuation, the records and worksheets are returned to the appraisal support staff for input into the computer system.

The following table shows the permit workload of the assessor from 1999-00 through 2003-04:

ROLL YEAR	PERMITS RECEIVED	PERMITS GENERATING VALUE
2003-04	2,027	996
2002-03	1,845	1,219
2001-02	1,614	914
2000-01	1,424	1,099
1999-00	1,582	1,092

Valuation

The assessor values new construction at the current market value as of the date of completion. The appraiser determines the completion status of new construction from an on-site review and a notice of completion from the building department. Several cost sources are used in valuing new construction, including Assessors' Handbook Section 531, *Residential Building Costs*; locally developed costs; the owner's cost and other information reported on the "Self Declaration for New Construction; and the Marshall Valuation Service for residential, commercial, and industrial appraisals.

The following criteria determine whether the appraiser will field inspect new construction:

- The construction is a new residence,
- The Multiple Listing Service indicates a difference in size compared to the assessor's record,
- The change in ownership document or multiple listing indicates poor condition, or
- The permit was for repair of fire damage.

In our prior survey, we recommended the assessor develop and implement written procedures for discovering and appraising new construction. The assessor currently publishes "New Construction Appraisal Procedures" and uses guidance found in other documents available to him, such as the Revenue and Taxation Code, Assessors' Handbook, and Letters To Assessors. Appraisers have their own copy of the Property Taxes Law Guide, and Assessors' Handbook and Letters To Assessors are maintained by the supervisors and available to all appraisers. Therefore, the recommendation is not repeated. We reviewed several items of new construction and found no problems with the assessor's program.

Construction in Progress (CIP)

Section 71 requires the assessor to enroll CIP at its fair market value on each lien date. On subsequent lien dates, if the new construction is still incomplete, the assessor must again enroll the CIP at its fair market value. This process continues until the new construction is complete. At that time, the new construction is assessed at its fair market value upon completion and a base year value is assigned. Several cost sources are used in valuing CIP, including Assessors' Handbook Section 531, *Residential Building Costs*; locally developed costs; the owner's actual cost; and the Marshall Valuation Service for residential, commercial, and industrial appraisals. We found no problems in the valuation of construction in process.

Declines in Value

Section 51 requires the assessor to enroll on the lien date an assessment that is the lesser of a property's factored base year value (FBYV) or its current full cash value, as defined in section 110. Thus, if a property's full cash value falls below its FBYV on any given lien date, the assessor must enroll that lower value. If, on a subsequent lien date, a property's full cash value rises above its FBYV, then the assessor must enroll the FBYV.

The assessor discovers property that has experienced a decline in value primarily through inquiry by the property owner. In addition, the assessor may determine that property has declined in value based on the appraiser's knowledge of values within his or her assigned areas. Due to rising market values in Amador County, there are very few properties experiencing decline in values.

The assessor has a locally developed form, *Request for Assessment Review*, that the property owner submits to request a review. If the assessor agrees that the current market value is less

than the FBV, he sends the property owner a notification of assessed value change that lists the FBV and the enrolled value. The notice informs the property owner that he or she may file an application for assessment reduction if he or she does not agree with the assessor's conclusion. The notice also informs the property owner that the value reduction is not permanent.

Those properties that are enrolled at a declining value are coded within the computer system with a unique taxability code. The appraisal file is marked with a black tag and filed separately from the other appraisal files. This ensures that any property that is assigned a decline-in-value will be annually reviewed.

In our 2001 survey, we recommended that the assessor consider tenant improvements in the appraisal unit when enrolling declines in value. We reviewed several parcels that were enrolled at a value that is less than the FBV and found none that included tenant improvements. Because we found no properties that involved tenant improvements, we are not repeating this recommendation.

Supplemental Assessments

Sections 75 and following require the assessor to appraise property at its full cash value upon change in ownership or completion of new construction and to issue a supplemental assessment based upon the change in ownership or new construction. A supplemental assessment is an assessment that reflects the increase or decrease in assessed value resulting from a change in ownership or completion of new construction for the fiscal year. If a change in ownership or completed new construction occurs between January 1 and May 31, two supplemental assessments result from the same event: one for the remainder of the current fiscal year, another for the entire next fiscal year. If the change in ownership occurs or new construction is completed on or after June 1 but before the succeeding January 1, one supplemental value is enrolled on the supplemental assessment roll. Clarification regarding supplemental assessments resulting from the completion of new construction is contained in Rule 463.500.

The assessor issues supplemental assessments whenever there is a change in ownership or completion of new construction. The supplemental assessments are generated by computer and are electronically forwarded to the auditor-controller for issuance of the tax bills. The total supplemental assessment process, from reappraisal event date to supplemental billing, takes approximately two to three months.

The following table shows the number of supplemental assessments processed by the assessor for recent roll years, as of December 2004, the date of the survey fieldwork:

ASSESSMENT YEAR	SUPPLEMENTAL ASSESSMENTS	NET ADDED VALUE
2004	1,969	N/A
2003	2,611	N/A
2002	2,403	\$122,880,848
2001	2,367	\$125,911,546
2000	2,065	\$64,988,082

It is the assessor's policy to issue supplemental assessment notices to all property owners and enroll all supplemental assessments, regardless of amount. However, the county auditor will cancel small supplemental tax bills that are \$10.00 or less.

In our 2001 survey, we recommended that the assessor issue supplemental assessments for possessory interests (PI's) on the unsecured roll. The assessor has implemented this recommendation; therefore, it is not repeated. We found the assessor's supplemental assessment program to be current and reflect accurate value calculations.

California Land Conservation Act Property

Pursuant to the California Land Conservation Act (CLCA) of 1965, agricultural preserves may be established by a city or county for the purpose of identifying areas within which the city or county will enter into agricultural preserve contracts with property owners.

Property owners who place their lands under contract agree to restrict the use of such lands to agriculture and other compatible uses; in exchange, the lands are assessed at a restricted value. Lands under contract are valued for property tax purposes by a method that is based upon agricultural income-producing ability (including income derived from compatible uses, e.g., hunting rights and communications facilities). Although such lands must be assessed at the lowest of the restricted value, current market value, or FBV, the restricted value typically is the lowest.

Sections 421 through 430.5 prescribe the method of assessment for land subject to agricultural preserve contracts. Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties* (AH 521), provides BOE-approved guidance for the appraisal of these properties.

Homesites

Section 428 provides that the restricted valuation standard for CLCA land does not apply to residences or the site of a residence. AH 521 provides that "even though it might be highly unlikely or impossible for the unrestricted improvements to actually be bought and sold in the marketplace, the unrestricted improvements must be valued as though they were a separate

appraisal unit and traded in that manner."⁶ In other words, the homesite must be valued at the lesser of the FBV or the fair market value of a comparable homesite. We found that this is the assessor's policy and practice.

Income and Expenses

The income to be capitalized is the economic net income attributable to the land determined, whenever possible, by the analysis of rents received in the area for similar lands in similar use. To determine net income, the appraiser must estimate the future gross income the land can be expected to produce and subtract the allowable cash expenses (except property taxes) necessary to maintain this income. The gross income is primarily from agricultural production, but it also includes income from any compatible uses actually occurring, such as lease payments for oil or gas exploration rights, communication facility sites, and recreational uses such as hunting or fishing. There are no limits placed upon the income to be capitalized unless the contract contains a provision establishing a minimum annual income per acre.

In our 2001 survey, we made four recommendations regarding CLCA properties and three have been implemented. We recommended that: (1) the assessor adjusts market and land rents by an appropriate amount for income generated by irrigation improvements on CLCA properties, which has been implemented; (2) the assessor capitalizes compatible use income, which has been implemented; and, (3) the assessor assesses caretaker sites and farm laborer housing at the non-restricted homesite value, which has been implemented.

Lastly, we recommended that the assessor assess wells on CLCA property as land. The assessor has not implemented this recommendation, and it is repeated below:

RECOMMENDATION 3: Classify wells located on CLCA property as land.

The assessor currently classifies wells as improvements and values them as part of the unrestricted appraisal unit. Rule 124 clearly states that wells should be classified as land; therefore, they should be included in the CLCA restricted value. Classifying wells, or any other land, as improvements creates an overassessment and denies the taxpayer the benefit of the CLCA restricted value.

Taxable Government-Owned Property

Article XIII, section 3, of the California Constitution exempts from property taxation any property owned by local governments, except as provided in article XIII, section 11. Section 11 provides that land, and improvements thereon, located outside a local government's or local government agency's boundaries are taxable at a restricted value if the property was taxable at the time of acquisition. Improvements that were constructed to replace improvements that were taxable when acquired are also taxable. These lands and taxable improvements are commonly referred to as taxable government-owned properties.

⁶ AH 521, page II-44.

There are 32 taxable government-owned properties enrolled in Amador County. The California Supreme Court has ruled that taxable government-owned property must be assessed at the lowest of: (1) the current fair market value, (2) the restricted value, or (3) the factored base year value (FBYV). The assessor's computer system generates the FBYV and the restricted value. These two values are then compared to the indicated current market value. The lesser of the three values is then enrolled.

We found several properties listed that were either located outside the owning government's boundaries or that were not listed on the tax-rate code index, making them potential taxable government-owned properties. The assessor has now properly enrolled all government-owned property.

In our 2001 survey, we recommended that the assessor review all taxable government-owned properties for proper valuation. We found the assessor is correctly valuing taxable government-owned properties and does assess these types of property in accordance with property tax law.

We also recommended that the assessor verify that vacant taxable government-owned land is used exclusively for school purposes before granting the public school exemption. We found one taxable government-owned parcel that may have been erroneously granted a public schools exemption. This one parcel is now used exclusively for school purposes and does have a public school exemption. Therefore, the recommendation has been implemented.

Timberland Production Zone (TPZ) Property

Lands zoned TPZ are valued in accordance with special TPZ site classifications; the valuation of such lands excludes the value of any standing timber. The annual value of a TPZ property ("TPZ value") is determined by its appropriate per-acre site value (section 434.5) plus the lower of the current market value or the FBYV of any compatible, nonexclusive uses of the property (section 435). Assuming that TPZ lands are not also under CLCA contract, the annual taxable value of TPZ lands is the lowest of (1) the TPZ value, (2) the current market value, or (3) the FBYV.

The special valuation methods for TPZ lands do not apply to structures on TPZ lands or to reasonable sites for such structures. In other words, structures and the sites directly related to those structures are assessed as all other real property.

Amador County has 127 parcels comprising 28,165 acres under TPZ zoning. For the 2004 assessment year, the total assessed value of TPZ lands in Amador County was \$3,331,754. We found that the assessor properly follows the BOE's schedule of per-acre values for different site classes of TPZ land. There are no TPZ parcels in rezoning status pursuant to Government Code section 51120. All of the land zoned as TPZ is identified on the assessment roll with the notation "TPZ Properties" in conformance with section 433.

The records we reviewed contained pertinent information and showed that residences and other structures had been properly valued. The assessor has correctly valued land zoned as TPZ according to the BOE-prescribed values for the 2004 lien date.

In our 2001 survey, we recommended that the assessor send questionnaires to owners of TPZ parcels for compatible use information. This recommendation has been implemented.

The assessor has a sound program in place for the valuation of TPZ property.

Taxable Possessory Interests

A taxable possessory interest results from the possession, a right to possession, or a claim to a right to possession of publicly owned real property, in which the possession provides a private benefit to the possessor and is independent, durable, and exclusive of rights held by others. The assessment of a taxable possessory interest in tax-exempt publicly owned property is based on the value of the rights held by the possessor; the value of the rights retained by the public owner is almost always tax exempt.

The assessor is responsible for identifying the existence of possessory interests and valuing those possessory interests upon their creation, renewal, or assignment of the lease, and upon the construction of new improvements on the property.

The Amador County Assessor's program for discovering possessory interests includes an annual polling of all government entities in the county requesting information on agreements with private parties. There are currently 369 taxable possessory interests assessed on the secured and unsecured rolls in Amador County with a total value exceeding \$47.5 million. The possessory interest appraisals are the responsibility of one appraiser. The total enrollment of all possessory interest properties represents approximately 0.015 percent of the 2004-05 roll value.

In our 2001 survey report, we recommended that the assessor: (1) use a reasonable term of possession when estimating the value of a possessory interest, (2) revalue possessory interests at the end of the reasonably anticipated term of possession, (3) annually assess all possessory interests at the lower of current market value or FBYV; and (4) expand the discovery process for possessory interests to include fairgrounds vendors/concessionaires.

We reviewed the assessor's possessory interest records and found he has complied with three of the prior recommendations by conducting rental studies to arrive at an average rental term, revaluing possessory interests at the end of the anticipated term of possession, and annually reviewing possessory interest properties for the purpose of assessment at the lower of current market or the FBYV. However, the assessor is not reviewing leases at the fairgrounds that may warrant assessment as taxable possessory interests. Therefore, we are repeating this recommendation with two other recommendations to the possessory interest program.

RECOMMENDATION 4: Improve the possessory interest program by: (1) assessing all taxable possessory interests, (2) using the proper remaining term of possession when valuing possessory interests, and (3) deducting allowed expenses from gross income when valuing possessory interests by the income approach.

Assess all taxable possessory interests.

In our previous two survey reports, we recommended that the assessor review all private uses at the Amador County Fairgrounds for possible assessment as taxable possessory interests. To date, the assessor has not implemented this recommendation. We found no assessments for fairground possessory interests. We also found no possessory interest assessments for tie-downs at the Amador County Airport.

We obtained a three-year event log of commercial and food vendors from the Amador County Fair Association. We found a number of uses that warrant assessment as taxable possessory interests based on their private benefit, independence, durability, and exclusivity. Section 107 defines a possessory interest for assessment purposes, as a possession that is independent, durable, and exclusive to the rights of others, and that provides a private benefit to the possessor. Failure to review these valuable rights could lead to the escape of taxable property.

Use the proper remaining term of possession when valuing possessory interests.

The assessor does not consistently determine the full cash value for a possessory interest based on the correct remaining term of possession. We found numerous instances where the assessor initially enrolled a base year value for a possessory interest based on his anticipated term of possession, and then annually factored that value using the BOE-announced inflation factors to arrive at the value he enrolled for fiscal year 2004-05. He did not compare the FBV for 2004-05 with the current fair market value (full cash value) derived using the reasonably anticipated remaining term of the lease.

Section 51(a) provides that, for each year after the lien date on which the base year value is determined, the taxable value of real property shall be the lesser of its FBV and its full cash value as defined in section 110. Rule 21(d)(1) provides that the term of possession for valuation purposes shall be the reasonably anticipated term of possession and that the stated term of possession shall be deemed the reasonably anticipated term of possession. When determining the current market value, for comparison with the FBV of the possessory interest, the assessor must base the current market value on the remaining term of possession anticipated in the lease, unless there is clear and convincing evidence that the parties have agreed to a term that is shorter or longer than the stated term of possession. If the assessor does not base current market value on the reasonably anticipated term of possession, he cannot ensure that he is following the provisions of section 51(a).

Deduct allowed expenses from gross income when valuing possessory interests by the income approach.

The assessor does not deduct operating expenses from the gross income of the possessory interest before discounting the income stream into a value.

Assessors' Handbook Section 510, *Assessment of Taxable Possessory Interests*, provides that allowed expenses paid by the public owner should be deducted from the estimated economic rent. Rule 21(e)(3)(C) provides the income to be capitalized in the valuation of a

taxable possessory interest is the "net income" (as defined in subsection (c) of Rule 8) attributable to the taxable possessory interest.

A public owner will incur at least some management expense with each possessory interest. Other lease agreements may require the public owner to pay for insurance, maintenance, or utilities. By estimating the fair market value using gross income rather than net income to the lessor, the assessor is inflating this value indicator.

Leasehold Improvements

Leasehold improvements are all improvements or additions to leased property that have been made by the tenant or lessee. Such improvements can be secured to the real property or assessed to the lessee on the unsecured assessment roll.

Commercial, industrial, and other types of income-producing properties require regular monitoring by the assessor because, as tenants change over a period of time, they may add and remove improvements that may result in a changed use of the property. These changes must, by law, be reflected in the property's assessment if they qualify as new construction.

When real property is reported on Form BOE-571-L, *Business Property Statement*, coordination between the real property and business property divisions of the assessor's office is important. The reported cost should be examined by both an appraiser in the real property division and an auditor-appraiser in the business property division. The divisions should determine the proper classification of the property to ensure appropriate assessment by each division and avoid escapes and double assessments. The assessor must determine whether costs are for repair and maintenance and are, therefore, not assessable, whether additions are properly classified as structural improvements or fixtures, and/or if additions are properly enrolled.

In our 2001 survey, we recommended the assessor develop and implement written procedures for the valuation and assessment of leasehold improvements. At that time, we found that the business property staff did not notify the real property staff of improvements assessed to the tenants. It is now the assessor's practice to review real property records prior to enrolling a leasehold improvement to avoid double assessments. We reviewed several records, including cell tower sites and billboards, and found that the assessor was properly enrolling the value of tenant improvements. Thus, we do not repeat the recommendation in this survey.

However, our review revealed one area in the assessment of leasehold improvements that needs attention.

RECOMMENDATION 5: Properly classify and assess billboards as fixtures.

We found that the assessor classifies billboards as structural improvements rather than as fixtures. Letter To Assessors 2002/078, December 3, 2002, advises that billboards should be classified as fixtures under Rule 122.5(a)(1).

Proper classification of leasehold improvements as structure items or fixtures is important because fixtures are treated differently than structures. Fixtures are a separate appraisal unit

when measuring declines in value. In most cases, section 75.5 provides that fixtures are not subject to supplemental assessments. Additionally, section 469 provides that fixtures and business tangible personal property are components in the value criteria for qualification of a mandatory audit.

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

The assessor's program for assessing personal property and fixtures includes the following major elements:

- Discovery and classification of taxable personal property and fixtures.
- Mailing and processing of annual property statements and questionnaires.
- Annual revaluation of taxable personal property and fixtures.
- Auditing taxpayers whose assessments are based on information provided in property statements.

In this section of the survey report, we review the assessor's audit, business property statement (BPS) processing, business property valuation, leased equipment discovery and assessment programs, and the assessment of manufactured homes, aircraft, vessels, and animals.

Audit Program

A comprehensive audit program is essential to the successful administration of any tax program that relies on information supplied by taxpayers. A good audit program discourages deliberate underreporting, helps educate those property owners who unintentionally misreport, and provides the assessor with additional information to make fair and accurate assessments.

Mandatory Audits

Pursuant to section 469, audits are mandatory for taxpayers reporting business tangible personal property and trade fixtures valued at \$400,000 or more.

The Amador County Assessor has a total mandatory audit workload of approximately 40 accounts, or an average of about ten audits per year. We reviewed a number of completed mandatory audits and found them to be well documented and concise.

At the time of our fieldwork, the current auditor-appraiser was in the position for only four weeks. Because of a computer problem, the assessor could not provide a schedule of completed audits including results over the last five years. However, we did not find any mandatory accounts that were not completed timely.

As in our 2001 survey, we found that the assessor was timely completing the requisite number of mandatory audits.

Nonmandatory Audits

A nonmandatory audit program serves several purposes in the assessment of personal property. Besides helping to mitigate taxpayer reporting errors, a nonmandatory program also allows for the investigation and resolution of special problems uncovered during the processing of property statements.

The assessor performed 6 nonmandatory audits for calendar year 2004 and 33 for calendar year 2003. As with mandatory audits, we found the quality of these audits to be very good and well documented.

Statute of Limitations

Section 532 provides that when the assessor discovers through an audit that property has escaped assessment, an assessment of such property must be enrolled within four years after July 1 of the assessment year during which the property escaped assessment. If the assessor cannot complete an audit within the prescribed time, the assessor may request, pursuant to section 532.1, a waiver of the statute of limitations from the taxpayer to extend the time for making an assessment.

In instances where the assessor is not able to complete the audit timely, a waiver of the statute of limitations is requested from the taxpayer to ensure no tax revenue is lost. The assessor's policy is to audit those accounts for which the assessor is unable to obtain a signed waiver. The assessor was able to complete all mandatory audits without seeking waivers.

Audit Quality

An audit should follow a standard format so that the auditor-appraiser may easily determine whether the property owner has correctly reported all taxable property. Audit narratives and summaries should include adequate documentation, full value calculations, reconciliation of the fixed assets totals to the general ledger and financial statements, review of asset invoices, reconciliation between reported and audit amounts, an analysis of expense accounts, and an analysis of depreciation and obsolescence factors that may affect the value of the business property.

We reviewed ten accounts, and found that the audits were detailed and well supported by a comprehensive audit checklist defining the areas of investigation.

Business Property Statement Program

Section 441 requires each person owning taxable personal property (other than a manufactured home) having an aggregate cost of \$100,000 or more to annually file a property statement with the assessor; other persons must file a property statement if requested by the assessor. Property statements form the backbone of the business property assessment program. Several variants of the property statement address a variety of property types, including commercial, industrial, and agricultural property, vessels, and certificated aircraft.

One auditor-appraiser carries out most business property functions, including BPS processing. We reviewed the assessor's property statement processing procedures and application of correct procedures and found that:

- Taxpayers are allowed to submit attachments in lieu of completing the statements, and
- The section 463 penalty is correctly applied to all late and non-filed business property statements (BPS's).

In our 2001 survey, we recommended the assessor only accept BPS's with authorized signatures, in order to ensure compliance with Rule 172. In our current review, we again found several property statements either not signed or signed by an unauthorized person. Therefore, we are repeating this recommendation.

RECOMMENDATION 6: Ensure that all BPS's contain authorized signatures.

We found various statements either not signed or signed by someone other than an authorized person. Of these, none had the assessee's written authorization on file. Written authorization calls attention to the fact that corporate assesseees are liable for any consequences of reporting errors by an employee or agent. It also assures that the assessor may rely upon that statement. An unsigned property statement, or a property statement signed by an unauthorized agent, does not constitute a valid filing.

Rule 172 requires assesseees to provide written authorization for statements signed by an agent or employee other than a member of the bar, a certified public accountant, a public accountant, an enrolled agent, or a duly appointed fiduciary. In addition, Rule 172(d) prohibits the assessor from knowingly accepting any signed property statements that are not executed in accordance with the requirements of this section. By requiring such written authorization, the assessor will ensure that the property statement was the taxpayer's official response.

By accepting unsigned BPS's or those signed by unauthorized persons, the assessor is violating the explicit requirements of a state regulation.

Business Equipment Valuation

Assessors value most machinery and equipment using business property value factors. Value factors are derived by combining price index factors (trend factors) with percent good factors. A value indicator is obtained by multiplying a property's historical (acquisition) cost by an appropriate value factor.

Section 401.5 provides that the BOE shall issue information that promotes uniformity in appraisal practices and assessed values. Pursuant to that mandate, the BOE annually publishes Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581).

In our 2001 survey, we recommended that the assessor use the BOE's recommended price index and percent good factors in AH 581 as intended. At that time, the assessor had established minimum valuation factors for certain types of property depending on the type of industry and

economic life. We found that the assessor continues to use minimum valuation factors. Thus, we repeat the recommendation here. We also found that the assessor uses untrended valuation factors in the assessment of business equipment, which is discussed in the recommendation below.

RECOMMENDATION 7: Use Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors*, as intended

The assessor has adopted the price indices and percent good factors recommended by the California Assessors' Association (CAA). The price indices parallel the indices published in AH 581 with the exception of specific types of equipment (e.g., pagers, facsimile equipment, and photocopiers) that the CAA recommends should not be trended. The percent good factors also parallel the AH 581 factors with the exception that the CAA factors provide a minimum percent good factor for older equipment. The assessor's use of untrended valuation factors for specific types of property, including pager, and facsimile equipment, as recommended by the CAA, is not supported by a study.

Computer Valuation

Pursuant to section 401.5, the BOE also issues valuation factors for computer equipment (see AH 581, "Table 7: Computer Valuation Factors").

In our 2001 survey, we recommended that the assessor use the BOE's recommended factors to value computers. We found that the assessor has corrected this problem and we do not repeat the recommendation.

Leased Equipment

The business property division is responsible for the discovery, valuation, and assessment of leased equipment. This type of property is one of the more difficult to assess correctly. Common problems include difficulty in establishing taxability and taxable situs, reporting errors by lessees and lessors, valuation (whether the value of the equipment should be the lessor's cost or the cost for the consumer to purchase), and double or escape assessments resulting from lessor and lessee reporting. These issues are discussed in detail in Assessors' Handbook Section 504, *Assessment of Personal Property and Fixtures*.

In Amador County, the auditor-appraiser is responsible for leased equipment assessments. We reviewed the procedures for assessing leased equipment along with a sample of lessors and lessees. We found no problems in the discovery, processing, tracking, or cross checking of leased equipment information.

Manufactured Homes

A "manufactured home" is defined in Health and Safety Code sections 18007 and 18008, and statutes prescribing the method of assessing manufactured homes are contained in sections 5800 through 5842. A manufactured home is subject to local property taxation if sold new on or after July 1, 1980, or if its owner requests conversion from the vehicle license fee to local property

taxation. Manufactured homes should be classified as personal property and enrolled on the secured roll.

For the 2004-05 roll, there are 990 manufactured homes in Amador County with an assessed value of \$61,827,644.

The assessor has assigned the appraisal of manufactured homes located on rented land in mobilehome parks to the auditor-appraiser. Manufactured homes not located in a mobilehome park are assigned to the appraiser responsible for all other single-family residences in that geographic location.

The assessor learns of sales, new installations, and voluntary conversions of manufactured homes through periodic Department of Housing and Community Development listings, building permits, field discovery, referrals from other counties, and dealer's reports of sale.

In our prior survey report, we recommended two changes in the assessor's program for assessing manufactured homes: (1) classify and enroll manufactured homes as personal property as required under section 5801, and (2) annually assess manufactured homes at the lower of their factored base year value or current market value.

The assessor has implemented both recommendations. He has converted to a new computer system and all manufactured homes are now classified as personal property.

Aircraft

General Aircraft

General aircraft are privately owned aircraft that are used for pleasure or business but that are not authorized to carry passengers, mail, or freight on a commercial basis (general aircraft contrast with certificated aircraft, discussed below). Section 5363 requires the assessor to determine the market value of all aircraft according to standards and guidelines prescribed by the BOE. Section 5364 requires the BOE to establish such standards. On January 10, 1997, the BOE approved the *Aircraft Bluebook Price Digest (Bluebook)* as the primary guide for valuing aircraft, with the *Vref Aircraft Value Reference (Vref)* as an alternative guide for aircraft not listed in the *Bluebook*.

The Amador County Assessor's Office assessed 115 general aircraft for the 2004-05 assessment roll with a total value of \$8,017,929. The chart below presents the assessor's aircraft statistics for 2000-01 through 2004-05:

ROLL YEAR	NUMBER OF AIRCRAFT	ASSESSED VALUES
2004-05	115	\$8,017,929
2003-04	107	\$8,004,600
2002-03	116	\$7,102,700
2001-02	111	\$7,685,200
2000-01	105	\$6,346,740

In our 2001 survey, we recommended that the assessor use the *Vref* for aircraft not listed in the *Bluebook*. We found that the assessor continues to use the *Bluebook* to value general aircraft. However, there are a limited number of aircraft in the county that are not listed in either the *Bluebook* or in the *Vref*. In these instances, the assessor continues to estimate aircraft values by considering all available sources such as owner's cost, asking prices in *Trade-A-Plane*, and information from other assessors. We found the assessor's approach to be reasonable and prudent.

The auditor-appraiser is responsible for valuing all aircraft. The *Aircraft Owner's Report* is mailed each year to the known owner of each aircraft in the county requesting information to be filed. The form lists the aircraft and requests the owner to report added or deleted equipment, engine air hours since last major overhaul, date of last overhaul, overall condition, and transfer information if the aircraft has been sold since the last lien date.

Upon receipt of the *Aircraft Owner's Report*, the auditor-appraiser incorporates adjustments for overall condition of the aircraft, additional or special equipment, airframe hours, engine hours since last major overhaul, and sales tax to determine a market value estimate. The values of newer aircraft are most affected by the presence or lack of optional equipment, while the values of older aircraft are influenced more by the condition of the aircraft. Field situs checks are made on a case-by-case basis according to taxpayer claims of deferred maintenance, airworthiness, etc.

We found the procedures to be correctly administered and the estimates of value to be properly calculated.

Historical Aircraft

Aircraft of historical significance can be exempted from taxation if they meet certain requirements. Section 220.5 defines "aircraft of historical significance" as (1) an aircraft that is an original, restored, or replica of a heavier than air, powered aircraft 35 years or older; or (2) any aircraft of a type or model of which there are fewer than five such aircraft known to exist worldwide.

The historical aircraft exemption is not automatic. Each year, the owner of a historical aircraft must submit an affidavit on or before 5:00 p.m., February 15, paying a filing fee of \$35 upon the initial application for exemption. Along with these requirements, aircraft of historical significance are exempt only if the following conditions are met: (1) the assessee is an individual

owner who does not hold the aircraft primarily for purposes of sale; (2) the assessee does not use the aircraft for commercial purposes or general transportation; and, (3) the aircraft was available for display to the public at least 12 days during the 12-month period immediately preceding the lien date for the year for which exemption is claimed.

In our 2001 survey, we recommended that the assessor deny late-filed historical aircraft exemption claims. However, legislation effective January 1, 2005 added section 276.5 to allow for late filing between February 16 and August 1 for 80 percent of the exemption. We found the assessor to be in full compliance with the current late filing procedures.

For the 2004-05 assessment roll, the assessor granted the exemption to 43 historical aircraft. We reviewed the declarations of historical aircraft claimants and found no problems.

Vessels

Assessors must annually appraise all vessels at market value. The primary sources used for the discovery of assessable vessels include Department of Motor Vehicles reports, referrals from other counties, and information provided by the vessel owners themselves.

The assessor's auditor-appraiser assessed about 1,491 vessels on the 2004-05 assessment roll, with a total assessed value of over \$7,782,120.

The value guides used include *BUC Used Boat Price Guides*, Volumes 1, 2, and 3 and *N.A.D.A.* (National Automobile Dealers Association) *Marine Appraisal Guide and Older Marine Appraisal Guide*. Occasionally additional market data is obtained from the Internet.

The chart below presents the assessor's vessel statistics for recent years:

ROLL YEAR	NUMBER OF VESSELS	ASSESSED VALUES
2004-05	1,491	\$7,782,120
2003-04	1,450	\$7,461,300
2002-03	1,341	\$6,249,770
2001-02	1,136	\$6,068,670
2000-01	1,193	\$5,325,861

In our 2001 survey, we recommended that the assessor discontinue the practice of exempting vessels valued between \$400 and \$1,000. We found that the assessor now assesses such vessels. We also recommended that the assessor include sales tax as a component of a vessel's value. We found that the assessor properly includes sales tax in all vessel assessments.

Our review indicates no problems in the assessor's vessel program.

Animals

The California Constitution mandates that all property is taxable unless specifically exempted by the Constitution, the laws of the United States, or, in the case of personal property, by act of the Legislature. Most animals are exempt from taxation. Pets are exempted under section 224. Many animals that are considered business inventory are exempted by sections 129 and 219, and by Rule 133.

Amador County has very few assessable animals. Most animals are reported either on Form BOE-571-F, *Agricultural Property Statement*, or on Form BOE-571-F2, *Registered and Show Horse Statement*.

Methods of discovering taxable animals include referrals from the real property section, telephone yellow pages, animals reported on the *Agricultural Property Statements*, and audits of agricultural property.

We reviewed appraisal records containing assessment for taxable animals and found no problems with the assessor's methods of assessing taxable animals.

APPENDIXES

A. County Property Tax Division Survey Group

Amador County

Chief, County Property Tax Division

Mickie Stuckey

Survey Program Director:

Arnold Fong

Principal Property Appraiser

Survey Team Supervisor:

Bob Reinhard

Supervising Property Appraiser

Survey Team Leader:

James Lovett

Senior Specialist Property Appraiser

Survey Team:

Jim McCarthy

Senior Petroleum and Mining Appraisal Engineer

Nick Winters

Associate Property Appraiser

Lloyd Allred

Associate Property Auditor-Appraiser

Pam Bowens

Associate Property Auditor-Appraiser

Mike Shannon

Associate Property Auditor-Appraiser

B. Relevant Statutes and Regulations

Government Code

15640. Survey by board of county assessment procedures.

- (a) The State Board of Equalization shall make surveys in each county and city and county to determine the adequacy of the procedures and practices employed by the county assessor in the valuation of property for the purposes of taxation and in the performance generally of the duties enjoined upon him or her.
- (b) The surveys shall include a review of the practices of the assessor with respect to uniformity of treatment of all classes of property to ensure that all classes are treated equitably, and that no class receives a systematic overvaluation or undervaluation as compared to other classes of property in the county or city and county.
- (c) The surveys may include a sampling of assessments from the local assessment rolls. Any sampling conducted pursuant to subdivision (b) of Section 15643 shall be sufficient in size and dispersion to insure an adequate representation therein of the several classes of property throughout the county.
- (d) In addition, the board may periodically conduct statewide surveys limited in scope to specific topics, issues, or problems requiring immediate attention.
- (e) The board's duly authorized representatives shall, for purposes of these surveys, have access to, and may make copies of, all records, public or otherwise, maintained in the office of any county assessor.
- (f) The board shall develop procedures to carry out its duties under this section after consultation with the California Assessors' Association. The board shall also provide a right to each county assessor to appeal to the board appraisals made within his or her county where differences have not been resolved before completion of a field review and shall adopt procedures to implement the appeal process.

15641. Audit of Records; Appraisal Data Not Public.

In order to verify the information furnished to the assessor of the county, the board may audit the original books of account, wherever located; of any person owning, claiming, possessing or controlling property included in a survey conducted pursuant to this chapter when the property is of a type for which accounting records are useful sources of appraisal data.

No appraisal data relating to individual properties obtained for the purposes of any survey under this chapter shall be made public, and no state or local officer or employee thereof gaining knowledge thereof in any action taken under this chapter shall make any disclosure with respect thereto except as that may be required for the purposes of this chapter. Except as specifically provided herein, any appraisal data may be disclosed by the board to any assessor, or by the board or the assessor to the assessee of the property to which the data relate.

The board shall permit an assessee of property to inspect, at the appropriate office of the board, any information and records relating to an appraisal of his or her property, including "market data" as defined in Section 408. However, no information or records, other than "market data," which relate to the property or business affairs of a person other than the assessee shall be disclosed.

Nothing in this section shall be construed as preventing examination of that data by law enforcement agencies, grand juries, boards of supervisors, or their duly authorized agents, employees, or representatives conducting an investigation of an assessor's office pursuant to Section 25303, and other duly authorized legislative or administrative bodies of the state pursuant to their authorization to examine that data.

15642. Research by board employees.

The board shall send members of its staff to the several counties and cities and counties of the state for the purpose of conducting that research it deems essential for the completion of a survey report pursuant to Section 15640 with respect to each county and city and county. The survey report shall show the volume of assessing work to be done as measured by the various types of property to be assessed and the number of individual assessments to be made, the responsibilities devolving upon the county assessor, and the extent to which assessment practices are consistent with or differ from state law and regulations. The report may also show the county assessor's requirements for maps, records, and other equipment and supplies essential to the adequate performance of his or her duties, the number and classification of personnel needed by him or her for the adequate conduct of his or her office, and the fiscal outlay required to secure for that office sufficient funds to ensure the proper performance of its duties.

15643. When surveys to be made.

- (a) The board shall proceed with the surveys of the assessment procedures and practices in the several counties and cities and counties as rapidly as feasible, and shall repeat or supplement each survey at least once in five years.
- (b) The surveys of the 10 largest counties and cities and counties shall include a sampling of assessments on the local assessment rolls as described in Section 15640. In addition, the board shall each year, in accordance with procedures established by the board by regulation, select at random at least three of the remaining counties or cities and counties, and conduct a sample of assessments on the local assessment roll in those counties. If the board finds that a county or city and county has "significant assessment problems," as provided in Section 75.60 of the Revenue and Taxation Code, a sample of assessments will be conducted in that county or city and county in lieu of a county or city and county selected at random. The 10 largest counties and cities and counties shall be determined based upon the total value of locally assessed property located in the counties and cities and counties on the lien date that falls within the calendar year of 1995 and every fifth calendar year thereafter.
- (c) The statewide surveys which are limited in scope to specific topics, issues, or problems may be conducted whenever the board determines that a need exists to conduct a survey.
- (d) When requested by the legislative body or the assessor of any county or city and county to perform a survey not otherwise scheduled, the board may enter into a contract with the requesting local agency to conduct that survey. The contract may provide for a board sampling of assessments on the local roll. The amount of the contracts shall not be less than the cost to the board, and shall be subject to regulations approved by the Director of General Services.

15644. Recommendations by board.

The surveys shall incorporate reviews of existing assessment procedures and practices as well as recommendations for their improvement in conformity with the information developed in the surveys as to what is required to afford the most efficient assessment of property for tax purposes in the counties or cities and counties concerned.

15645. Survey report; final survey report; assessor's report.

- (a) Upon completion of a survey of the procedures and practices of a county assessor, the board shall prepare a written survey report setting forth its findings and recommendations and transmit a copy to the

assessor. In addition the board may file with the assessor a confidential report containing matters relating to personnel. Before preparing its written survey report, the board shall meet with the assessor to discuss and confer on those matters which may be included in the written survey report.

(b) Within 30 days after receiving a copy of the survey report, the assessor may file with the board a written response to the findings and recommendations in the survey report. The board may, for good cause, extend the period for filing the response.

(c) The survey report, together with the assessor's response, if any, and the board's comments, if any, shall constitute the final survey report. The final survey report shall be issued by the board within two years after the date the board began the survey. Within a year after receiving a copy of the final survey report, and annually thereafter, no later than the date on which the initial report was issued by the board and until all issues are resolved, the assessor shall file with the board of supervisors a report, indicating the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations of the survey report, with copies of that response being sent to the Governor, the Attorney General, the State Board of Equalization, the Senate and Assembly and to the grand juries and assessment appeals boards of the counties to which they relate.

15646. Copies of final survey reports to be filed with local officials.

Copies of final survey reports shall be filed with the Governor, Attorney General, and with the assessors, the boards of supervisors, the grand juries and assessment appeals boards of the counties to which they relate, and to other assessors of the counties unless one of these assessors notifies the State Board of Equalization to the contrary and, on the opening day of each regular session, with the Senate and Assembly.

Revenue and Taxation Code**75.60. Allocation for administration.**

(a) Notwithstanding any other provision of law, the board of supervisors of an eligible county or city and county, upon the adoption of a method identifying the actual administrative costs associated with the supplemental assessment roll, may direct the county auditor to allocate to the county or city and county, prior to the allocation of property tax revenues pursuant to Chapter 6 (commencing with Section 95) and prior to the allocation made pursuant to Section 75.70, an amount equal to the actual administrative costs, but not to exceed 5 percent of the revenues that have been collected on or after January 1, 1987, due to the assessments under this chapter. Those revenues shall be used solely for the purpose of administration of this chapter, regardless of the date those costs are incurred.

(b) For purposes of this section:

- (1) "Actual administrative costs" includes only those direct costs for administration, data processing, collection, and appeal that are incurred by county auditors, assessors, and tax collectors. "Actual administrative costs" also includes those indirect costs for administration, data processing, collections, and appeal that are incurred by county auditors, assessors, and tax collectors and are allowed by state and federal audit standards pursuant to the A-87 Cost Allocation Program.
- (2) "Eligible county or city and county" means a county or city and county that has been certified by the State Board of Equalization as an eligible county or city and county. The State Board of Equalization shall certify a county or city and county as an eligible county or city and county only if both of the following are determined to exist:
 - (A) The average assessment level in the county or city and county is at least 95 percent of the assessment level required by statute, as determined by the board's most recent survey of that county or city and county performed pursuant to Section 15640 of the Government Code.
 - (B) For any survey of a county assessment roll for the 1996-97 fiscal year and each fiscal year thereafter, the sum of the absolute values of the differences from the statutorily required assessment level described in subparagraph (A) does not exceed 7.5 percent of the total amount of the county's or city and county's statutorily required assessed value, as determined pursuant to the board's survey described in subparagraph (A).
- (3) Each certification of a county or city and county shall be valid only until the next survey made by the board. If a county or city and county has been certified following a survey that includes a sampling of assessments, the board may continue to certify that county or city and county following a survey that does not include sampling if the board finds in the survey conducted without sampling that there are no significant assessment problems in the county or city and county. The board shall, by regulation, define "significant assessment problems" for purposes of this section, and that definition shall include objective standards to measure performance. If the board finds in the survey conducted without sampling that significant assessment problems exist, the board shall conduct a sampling of assessments in that county or city and county to determine if it is an eligible county or city and county. If a county or city and county is not certified by the board, it may request a new survey in advance of the regularly scheduled survey, provided that it agrees to pay for the cost of the survey.

Title 18, California Code of Regulations

Rule 370. Random selection of counties for representative sampling.

- (a) **SURVEY CYCLE.** The board shall select at random at least three counties from among all except the 10 largest counties and cities and counties for a representative sampling of assessments in accordance with the procedures contained herein. Counties eligible for random selection will be distributed as equally as possible in a five-year rotation commencing with the local assessment roll for the 1997–98 fiscal year.
- (b) **RANDOM SELECTION FOR ASSESSMENT SAMPLING.** The three counties selected at random will be drawn from the group of counties scheduled in that year for surveys of assessment practices. The scheduled counties will be ranked according to the size of their local assessment rolls for the year prior to the sampling.
- (1) If no county has been selected for an assessment sampling on the basis of significant assessment problems as provided in subdivision (c), the counties eligible in that year for random selection will be divided into three groups (small, medium, and large), such that each county has an equal chance of being selected. One county will be selected at random by the board from each of these groups. The board may randomly select an additional county or counties to be included in any survey cycle year. The selection will be done by lot, with a representative of the California Assessors' Association witnessing the selection process.
- (2) If one or more counties are scheduled for an assessment sampling in that year because they were found to have significant assessment problems, the counties eligible for random selection will be divided into the same number of groups as there are counties to be randomly selected, such that each county has an equal chance of being selected. For example, if one county is to be sampled because it was found to have significant assessment problems, only two counties will then be randomly selected and the pool of eligible counties will be divided into two groups. If two counties are to be sampled because they were found to have significant assessment problems, only one county will be randomly selected and all counties eligible in that year for random selection will be pooled into one group.
- (3) Once random selection has been made, neither the counties selected for an assessment sampling nor the remaining counties in the group for that fiscal year shall again become eligible for random selection until the next fiscal year in which such counties are scheduled for an assessment practices survey, as determined by the five-year rotation. At that time, both the counties selected and the remaining counties in that group shall again be eligible for random selection.
- (c) **ASSESSMENT SAMPLING OF COUNTIES WITH SIGNIFICANT ASSESSMENT PROBLEMS.** If the board finds during the course of an assessment practices survey that a county has significant assessment problems as defined in Rule 371, the board shall conduct a sampling of assessments in that county in lieu of conducting a sampling in a county selected at random.
- (d) **ADDITIONAL SURVEYS.** This regulation shall not be construed to prohibit the Board from conducting additional surveys, samples, or other investigations of any county assessor's office.

Rule 371. Significant assessment problems.

- (a) For purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, "significant assessment problems" means procedure(s) in one or more areas of an assessor's assessment

operation, which alone or in combination, have been found by the Board to indicate a reasonable probability that either:

- (1) the average assessment level in the county is less than 95 percent of the assessment level required by statute; or
- (2) the sum of all the differences between the board's appraisals and the assessor's values (without regard to whether the differences are underassessments or overassessments), expanded statistically over the assessor's entire roll, exceeds 7.5 percent of the assessment level required by statute.

(b) For purposes of this regulation, "areas of an assessor's assessment operation" means, but is not limited to, an assessor's programs for:

- (1) Uniformity of treatment for all classes of property.
- (2) Discovering and assessing newly constructed property.
- (3) Discovering and assessing real property that has undergone a change in ownership.
- (4) Conducting mandatory audits in accordance with Revenue and Taxation Code Section 469 and Property Tax Rule 192.
- (5) Assessing open-space land subject to enforceable restriction, in accordance with Revenue and Taxation Code Sections 421 et. seq.
- (6) Discovering and assessing taxable possessory interests in accordance with Revenue and Taxation Code Sections 107 et. seq.
- (7) Discovering and assessing mineral-producing properties in accordance with Property Tax Rule 469.
- (8) Discovering and assessing property that has suffered a decline in value.
- (9) Reviewing, adjusting, and, if appropriate, defending assessments for which taxpayers have filed applications for reduction with the local assessment appeals board.

(c) A finding of "significant assessment problems," as defined in this regulation, would be limited to the purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, and shall not be construed as a generalized conclusion about an assessor's practices.

ASSESSOR'S RESPONSE TO BOE'S FINDINGS

Section 15645 of the Government Code provides that the assessor may file with the BOE a response to the findings and recommendation in the survey report. The survey report, the assessor's response, and the BOE's comments on the assessor's response, if any, constitute the final survey report.

The Amador County Assessor's response begins on the next page. The BOE has no comments on the response.

AMADOR COUNTY ASSESSOR

James B. Rooney, Assessor
500 Argonaut Lane
Jackson, California 95642
Phone (209) 223-6351



May 30, 2006

Mickie Stuckey, Chief
County Property Tax Division
State Board of Equalization
P.O. Box 942879
Sacramento, CA 94279-0063

Subject: Amador County Assessment Practices Survey Response

Dear Ms. Stuckey:

Enclosed is my response to the recommendations included in the State Board of Equalization Assessment Practices Survey of Amador County. This response was prepared in accordance with Section 15645 of the California Government Code.

I want to express appreciation to Mr. Arnold Fong and the survey team for the professional manner in which the survey was conducted, especially considering our tight workspace and high work volumes. I strongly feel that the periodic, independent survey of Assessors' assessment practices is a valuable tool that serves our office well. As you will note, I concur with many of the recommendations and have already taken the appropriate steps to implement changes to our current procedures. In other instances, I either do not agree, or I feel that the impact on the overall assessment program is so minor, or costly, that the recommendation will be prioritized and addressed as time and budget permit.

Finally, I want to thank the employees of the Amador County Assessors Office for their dedication and professionalism. It is the hard work and conscientious efforts of staff members that enable this office to maintain high standards of quality and efficiency in an evolving environment.

Sincerely,

A handwritten signature in black ink, which appears to read "Jim Rooney". The signature is fluid and cursive, with a large, sweeping "J" and "R".

Jim Rooney
Amador County Assessor

AMADOR COUNTY ASSESSOR

James B. Rooney, Assessor
500 Argonaut Lane
Jackson, California 95642
Phone (209) 223-6351



May 30, 2006

Amador County ASSESSMENT PRACTICES SURVEY May 2006

RECOMMENDATIONS AND RESPONSES

RECOMMENDATION 1: Revise the disaster relief program.

RESPONSE: We agree with this recommendation and we are in the process of revising it now.

RECOMMENDATION 2: Revise the assessment forms program by using only BOE-prescribed forms and using only the current version.

RESPONSE: This recommendation appears to be mainly for the forms on the website which is a new endeavor for this office and the County IT department. We intend to update the website on a regular basis to strictly comply with Subdivision (d) of Government Code section 15606.

RECOMMENDATION 3: Classify wells on CLCA property as land.

RESPONSE: We understand the wording of the R&T codes and why you make this recommendation. Because part of the well value is attributed to the pump, the allocation of value on wells becomes cumbersome when part is to go to land and part to improvements. We will work on trying to arrive at some way to achieve this without causing undue work.

RECOMMENDATION 4: Improve the PI program by assessing all taxable PI's, using the proper remaining term of possession when valuing PI's, and deduction allowed expenses from gross income when valuing PI's by the income approach.

RESPONSE: The only PIs which are not addressed properly are those for vendors at our 4 day county fair. This represents a fairly insignificant part of our tax income. We will make the effort to provide the manpower and come up with some way to address this.

RECOMMENDATION 5: Properly classify and assess billboards as fixtures.

RESPONSE: We agree with this recommendation and we intend to change the classification of any that are not classified correctly.

RECOMMENDATION 6: Ensure that all BPS's contain authorized signatures.

RESPONSE: We agree with this recommendation and we are now making sure that all returned statements are signed and dated. The few statements that have been received unsigned have been returned for authorized signatures.

RECOMMENDATION 7: Use Assessor's Handbook Section 581, Equipment Index and Percent Good Factors, as intended

RESPONSE: We partially disagree with this recommendation. Assessors working through the California Assessors' Association (CAA) spend a significant amount of time reviewing business property percent good factors on an annual basis. A key task of the CAA Business Property Subcommittee is to convene Business Division Chief Appraisers from throughout the state. The purpose of the meetings is to review audit results, assessment appeal information, and any other data to determine appropriateness of property lives, replacement cost data, and loss of value (percent good) tables. A significant concern associated with the BOE AH 581 percent good factors is that the State does "not" identify a recommended economic life for most California business property assets. The economic life for California business property is left open to a negotiated or compromised time/life line.

Jim Rooney
Amador County Assessor